

Message Text

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11

ACTION EB-11

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COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

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R 150800Z SEP 73

FM AMEMBASSY HELSINKI

TO SECSTATE WASHDC 6746

INFO AMEMBASSY COPENHAGEN

AMEMBASSY OSLO

AMEMBASSY STOCKHOLM

USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: ECON, ETRN, FI

SUBJECT: FINLAND DISCOURAGES EXPORTS OF SAWN LUMBER
AND LOGS.

1. BEGIN SUMMARY. TO DISCOURAGE SAWN LUMBER AND LOG
EXPORTS, WHOSE PRICES HAVE RISEN SHARPLY IN FINLAND
IN RECENT MONTHS, THE BANK OF FINLAND HAS IMPOSED
A REQUIREMENT ON EXPORTERS PROHIBITING RECEIPT OF
FULL AMOUNT OF ADVANCE PAYMENTS BY PURCHASERS UNLESS
BANK APPROVAL IS OBTAINED. THIS MEASURE HAS
STIMULATED A SHARP AND ADVERSE REACTION FROM
SUPPORTERS OF SMALL SAWMILL AND LOGGING OPERATORS.
END SUMMARY.

2. BANK OF FINLAND ANNOUNCED SEPTEMBER 10 THAT
EFFECTIVE SEPTEMBER 12 EXPORTERS OF SAWN LUMBER
AND LOGS (BTN CHAPTER 44) CANNOT RECEIVE ADVANCE
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PAYMENTS OF PURCHASE PRICE WITHOUT THE SPECIFIC APPROVAL

OF THE BANK OF FINLAND. BANK OF FINLAND SOURCE, IN RESPONSE TO EMBASSY INQUIRY, SAID THAT PURPOSE OF MEASURE WAS TWO-FOLD: (1) TO DAMPEN THE TREND TOWARD SHARP PRICE INCREASES FOR THESE PRODUCTS IN FINLAND; AND (2) TO DAMPEN IMPACT OF SUCH FUNDS ON MONETARY SITUATION GENERALLY. SOURCE NOTED THERE IS DANGER OF TIMBER SHORTAGE IN FINLAND AND EXPORT SALES CREATE DIFFICULTIES FOR DOMESTIC FIRMS. NO RELIABLE INFORMATION IS AVAILABLE OF EXTENT OF USE OF ADVANCE PAYMENTS BY FINNISH SAWMILLS IN THEIR EXPORT OPERATION BUT REPORTEDLY IT IS QUITE EXTENSIVE AND SMALL MILLS DEPEND ON SUCH PAYMENTS FOR MUCH OF THEIR TIMBER ACQUISITION COSTS.

3. PARLIAMENTARY GROUP OF THE CENTER PARTY, WHICH RECEIVES SUPPORT FROM RURAL AREAS, HAS DEMANDED THAT THE BANK OF FINLAND CANCEL ITS MEASURE. GROUP CLAIMS CONTROLS PALCED ON RECEIPT OF ADVANCE PAYMENTS ARE CONTRARY TO FINLAND'S BEST INTERESTS AND QUESTIONS IMPOSITION OF SUCH MEASURES WHEN TRADE BALANCE IS IN DEFICIT. ALSO, IT CLAIMS THE MEASURE IS A HEAVY BLOW PARTICULARLY FOR SMALL SAWMILLS AND ACCUSES THE BANK OF FINLAND AS BEING THE HAND-TOOL OF BIG BUSINESS IN FINLAND. STUMPAGE PRICES HAVE GONE UP SHARPLY DURING PAST YEAR (ESTIMATED AT 30 PERCENT) BUT THEY WILL BECOME DEPRESSED WITH NEW MEASURE TO DISADVANTAGE OF SMALL TIMBER OWNERS. GROUP ALSO QUESTIONS ASSUMPTION OF SHORTAGE OF TIMBER IN FINLAND AND STATES THAT BANK OF FINLAND DOES NOT UNDERSTAND TIMBER OPERATIONS.

4. EMBASSY COMMENTS: FINLAND HAS MORE THAN 10,000 SAWMILLS AND DURING PERIOD OF RISING LUMBER AND SAWLOG PRICES, FOREIGN BUYERS HAVE BEEN WILLING TO MAKE ADVANCE PAYMENTS IN RELATIVELY LARGE AMOUNTS TO ASSURE SUPPLIES. BANK OF FINLAND'S MEASURE DOES NOT PREVENT IN PRINCIPLE RECEIPT OF ADVANCE PAYMENTS BY EXPORTERS BUT THEY MUST PLACE FULL AMOUNT IN BANK OF FINLAND WHICH IN TURN RELEASES FUNDS TO EXPORTERS AS SHIPMENTS ARE MADE. BANK SOURCE INFORMED EMBASSY OFFICER THAT PERMITTING SAWMILL OPERATORS AND EXPORTERS TO OBTAIN LARGE

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AMOUNTS OF ADVANCE PAYMENTS DEFEATS BANK OF FINLAND EFFORTS TO TIGHTEN CREDIT. BANK HAS SIMULTANEOUSLY INSTRUCTED USERS OF TIMBER TO MINIMIZE PROJECTS REQUIRING THIS RESOURCE, ALTHOUGH AT SAME TIME NEW NATIONAL BUDGET PROVIDES SUPPORT FOR NEW HOUSING. IT MIGHT BE NOTED ALSO THAT RESTRICTIONS ON USE OF ADVANCE DEPOSITS FOR EXPORTS IS BEING APPLIED IN FINLAND FOR THE FIRST TIME IN RECENT YEARS, ACCORDING TO A BANK

SOURCE.

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